

**Y Pwyllgor Plant a Phobl Ifanc  
Children and Young People Committee**

Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



Michael Russell MSP  
Cabinet Secretary for Education and Lifelong Learning  
St. Andrew's House  
Regent Road  
Edinburgh  
EH1 3DG

20 June 2013

Dear Mr Russell

**The Further and Higher Education (Governance and Information) (Wales) Bill**

The National Assembly's Children and Young People Committee is currently considering the above Bill.

The Bill seeks to enhance the autonomy and decision making abilities of Further Education Institutions (FEI) by removing and modifying existing legislative controls on them. In doing this, the Bill seeks to remove various statutory controls that the Welsh Ministers exercise over FEIs in Wales and that led to the Office for National Statistics (ONS) reclassifying them as part of central government for the purposes of the National Accounts. I understand that the ONS has made a similar decision in respect of Scottish Further Education bodies.

According to the Bill's Explanatory Memorandum, the effect of the reclassification has negative impacts for the FE sector in Wales that will lead to changes to the way financial information from colleges is collected and monitored and impact on how FEIs manage their internal affairs. The changes have significant implications for FEIs including:

- any surpluses generated by colleges would be accounted for as Welsh Government funds;
- FEIs would be unable to retain a surplus in order to build reserves for future projects; and

Bae Caerdydd  
Caerdydd  
CF99 1NA

Cardiff Bay  
Cardiff  
CF99 1NA

Ffôn / Tel: 029 8920 8242  
E-bost / Email: [ann.jones@wales.gov.uk](mailto:ann.jones@wales.gov.uk)

- additional financial and accounting requirements.

If the Bill is passed, the Welsh Government intends to seek the reclassification of FEIs in Wales by the ONS as 'Non-profit Institutions Serving Households', which it believes will mitigate the implications outlined above.

The Committee understands that the Scottish Government has decided to take a different policy approach and will not seek ONS reclassification but will instead seek to mitigate the effects in other ways. The Committee would be grateful for any information you can provide about the approach you are taking. In particular, has the Scottish Government considered approaching the Treasury to see if there is scope to change central government accounting arrangements to help mitigate the effects of the reclassification?

This approach appears to have been ruled out by the Welsh Government, which does not believe it has a realistic chance of success. The Committee would be very grateful for your view on this and whether a joint approach by the Scottish and Welsh Governments and the Northern Ireland Assembly would offer a better chance of convincing the Treasury to agree the necessary changes.

I am copying this letter for information to Leighton Andrews AM the Minister for Education and Skills in the Welsh Government. I'm afraid the time available to the Committee to consider the Bill is very limited and I would, therefore, be grateful for an early reply, if at all possible.

Yours sincerely



**Ann Jones AM**  
**Chair**